

Auto Repair Shops & New Jersey Sales Tax

Publication ANJ-6

Introduction

The New Jersey Sales and Use Tax Act provides that sales of tangible personal property, such as automobiles, are subject to tax except when purchased for resale. Charges for maintaining, servicing or repairing the property are also taxable. This bulletin explains the sales tax responsibilities for auto repair shops.

Registration

New Jersey law requires all businesses to register with the State for tax purposes at least 15 business days before starting business. To register, a **Business Registration Application (Form NJ-REG)** must be filed. You will receive a **New Jersey Certificate of Authority (Form CA-1)** for sales tax if you have indicated on your application that you will collect sales tax or purchase materials for resale. This certificate is your authorization from the State of New Jersey to collect sales tax and issue or accept exemption certificates. In most cases, both the seller and the buyer must be registered with the State to issue and/or accept exemption certificates. A Public Records Filing may also be required depending upon the type of business ownership. For more information on Public Records Filing call 609-292-9292.

Purchases

An auto repair shop registered with the State may make purchases of tangible personal property intended for resale without paying sales tax, provided the repairer issues to the supplier a valid **New Jersey Resale Certificate (Form ST-3)**. Purchases of items which become a component part of the customer's vehicle, such as motor vehicle parts, paint, varnish, shellac, wax, additives, plastic body filler, welding rods, filters, etc. for use in auto body repairs, are not subject to tax when purchased with a resale certificate. These items are considered to be purchased by the auto repair shop for use in performing taxable services where the property is actually transferred to the purchaser of the service. Shops may also issue a resale certificate to purchase items that they sell at retail rather than in conjunction with the sale of a service.

Qualified Out-of-State Vendors: Qualified out-of-State vendors may make tax exempt purchases in New Jersey of goods and services purchased for resale. When the qualified out-of-State vendor carries the goods away with him from the point of sale, or sends his own vehicle or messenger to pick them up in New Jersey, the only acceptable resale certificate for a qualified out-of-State vendor to use is the **Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)**. The ST-3NR requires the person picking up the merchandise to provide acceptable identification (i.e., driver's license of any state in the United States, major credit card including photograph, or any identification card which includes a number **and** a photograph **and** the bearer's address). "Qualified out-of-State vendors" are vendors that (1) are not registered with New Jersey (2) are not required to be registered with New Jersey and (3) are registered with another state. For more information, request publication ANJ-10, *Out-of-State Sales & New Jersey Sales Tax*.

Example: A Pennsylvania auto repair shop sends its customer's vehicle to a specialty shop in New Jersey for repairs to the transmission. The Pennsylvania auto repair shop owner, a qualified out-of-State vendor, issues a **Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)** when he comes to New Jersey to pick up the serviced vehicle. The Pennsylvania auto repair shop does not pay New Jersey sales tax on the parts or labor for the work on the transmission. The New Jersey specialty shop accepts the certificate and does not charge sales tax on the transaction.

Shop Supplies

Purchases of any supplies such as tools, solvents and rags that are used by a repairer and do not become part of the vehicle are subject to sales tax. The following items are examples of supplies which are consumed by and are *taxable* when purchased by an auto repair shop. There are no provisions in the Sales and Use Tax Act which would allow a repair shop to buy products that the shop uses or consumes with a resale certificate.

Abrasives
Applicators

Drop Cloths
Masking Tape

Paint Brushes and Rollers
Paint Remover

Rags
Tools

Parts & Labor

The charges for parts and labor incurred in repairing automobiles are subject to New Jersey sales tax. Sales to the customer of replacement parts, batteries, motor oil and accessories, with or without labor, are taxable.

Extended Warranties

The New Jersey Sales and Use Tax Act defines a sale, in part, as any agreement for the performance of a taxable service. As the maintenance, repair, or servicing of motor vehicles is taxable, the sale of an extended warranty as an agreement to provide taxable services is subject to tax, whether or not any services are actually performed under the warranty.

Sales tax is not imposed on either the charge for parts or the charge for services performed under extended warranty agreements *if the repair is covered under the warranty*. If the insured is required to meet a deductible under the agreement, the deductible payment is subject to New Jersey sales tax when made in connection with a repair service.

Inspections

A separately stated and identified charge for a motor vehicle inspection by an official inspection station to obtain an approval sticker is not taxable. However, the charges for any repairs or adjustments or for parts which may be necessary to obtain an inspection approval are subject to tax.

Storage

Under the New Jersey Sales and Use Tax Act, charges for “storing all tangible personal property not held for sale in the regular course of business” are taxable. Charges for the storage of demolished vehicles are taxable. However, if the owner of the demolished vehicle intends to sell the parts either for use or as scrap, the vehicle qualifies as “held for sale” and the storage fee is not subject to tax.

Towing

A separately stated and identified charge for towing a disabled or illegally parked motor vehicle by a wrecker or tow car is not taxable. The term “towing” includes the use of special transportation equipment such as a dolly or tilt-bed truck. The towing of a demolished or total loss vehicle and other similar towing charges are not taxable, provided that the charges are separately stated and identified from any other charges. Other charges related to towing include:

- Hook-up Fee — exempt if performed in conjunction with towing service.
- Mileage Fee — exempt if incurred while providing towing service.
- Winching — exempt if performed in conjunction with towing service.

Environmental Fees

When an auto repair shop charges the customer a fee for disposing of tires, grease, motor oil, etc., such charge is taxable as part of the taxable repair or maintenance receipt.

For More Information

For more information on auto repair shops and New Jersey sales tax, contact the Division’s Customer Service Center at 609-292-6400, e-mail us at nj.taxation@treas.state.nj.us, or write to:

NEW JERSEY DIVISION OF TAXATION
INFORMATION AND PUBLICATIONS BRANCH
PO BOX 281
TRENTON NJ 08695-0281

The following Division of Taxation publications provide additional information on New Jersey sales tax: ANJ-7, *Use Tax in New Jersey*, S&U-6, *Sales Tax Exemption Certificates*, S&U-7, *Filing Sales and Use Tax Returns*.

Many State tax forms and publications are now available, both by fax and through the World Wide Web. Call NJ TaxFax at 609-826-4500 from your fax machine’s phone, or access the Division’s home page via your computer’s modem at: <http://www.state.nj.us/treasury/taxation/>